

## Message Text

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ACTION NEA-10

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R 061230Z FEB 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3881

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 1907

E.O. 11652: N/A

TAGS: USINJC

SUBJECT: JOINT BUSINESS COUNCIL: COMMENTS

1. BEGIN SUMMARY: WE HAVE ALREADY REPORTED IN SEPTELS ON THE ACTIVITIES OF THE JOINT BUSINESS COUNCIL AND THE PRESS REACTION TO THE MEETING. THIS MESSAGE ATTEMPTS TO SUMMARIZE OUR AND PARTICIPANTS' REACTIONS.

THE PARTICIPANTS' REACTION, PUBLICLY AND PRIVATELY GRATED WHEN THE PRIME MINISTER MADE IT CLEAR THAT A "SUCCESSFUL" MEETING WAS CALLED FOR. THE US SIDE ACHIEVED ITS OBJECTIVE OF EXPRESSING WILLINGNESS TO WORK WITH INDIA, WHEN AND IF THE GOI CREATED REQUISITE CLIMATE AND CONDITIONS. WE WERE PLEASED SINCE THIS IS EXACTLY THE MESSAGE WE HOPED WOULD GET ACROSS. END SUMMARY.

2. OUR BASIC REACTION IS THAT THE JOINT BUSINESS COUNCIL MEETING WAS A SUCCESS. BY THIS WE DO NOT MEAN TO IMPLY THAT MAJOR CONCRETE RESULTS WERE ACHIEVED FROM A TWO-DAY MEETING. OUR REACTION ESSENTIALLY IS BASED ON TWO VERY DIFFERENT ASPECTS OF THE MEETING. ON THE POLITICAL SIDE, AFTER SOME INITIAL HESITATION, THE

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GOI CLEARLY DECIDED TO ROLL OUT THE RED CARPET FOR THE USDEL, PAR-

TICULARLY ORVILLE FREEMAN. AS REPORTED SEPARATELY, FREEMAN MET WITH THE PRIME MINISTER (SEE BELOW) AND FOREIGN, AGRICULTURE AND FINANCE MINISTERS. HIS COMMENTS RECEIVED EXTENSIVE AND GENERALLY FRIENDLY TREATMENT IN THE MEDIA. THIS WAS HARDLY ACCIDENTAL. IT IS CLEAR THAT MRS. GANDHI DECIDED THAT IT WAS IN HER INTEREST, DESPITE THE CURRENT POLITICAL MOOD, TO HAVE A "SUCCESSFUL" JOINT BUSINESS COUNCIL MEETING AND SHE INSURED THAT THIS TOOK PLACE.

3. FREEMAN'S MEETING WITH THE PRIME MINISTER WAS A TYPICAL ONE, I.E., THE PRIME MINISTER SAID VERY LITTLE. SHE WAS FRIENDLY AND LISTENED TO FREEMAN'S PRESENTATION ON THE MULTINATIONAL CORPORATION AND THE POSSIBILITIES OF INDO-US COOPERATION. WHEN FREEMAN SUGGESTED THAT SHE MAKE A PUBLIC STATEMENT WELCOMING FOREIGN INVESTMENT, SHE LIMITED HER REPLY TO STATING THIS WOULD CAUSE DOMESTIC POLITICAL PROBLEMS. IN A SUBSEQUENT MEETING BETWEEN FREEMAN AND M.G. KAUL, KAUL STATED THAT HE HAD MET WITH THE PRIME MINISTER AFTER THE FREEMAN VISIT AND HAD BEEN ASKED TO PREPARE A PAPER ON BRAZIL'S EXPERIENCE WITH FOREIGN INVESTMENT (FREEMAN HAD MADE SPECIFIC REFERENCE TO THIS). FREEMAN'S MEETINGS WITH THE FOREIGN AND AGRICULTURE MINISTERS WERE ROUTINE, WITH RAM DESCRIBING THE GOI'S EFFORTS PARTICULARLY IN THE FIELD OR IRRIGATION. FREEMAN MADE AN OFFER TO THE FOREIGN MINISTER TO TRY TO PUT TOGETHER A ROUND TABLE CONFERENCE IN INDIA OF LEADING US BUSINESSMEN IF THE GOI WOULD WELCOME SUCH AN INITIATIVE. THE FOREIGN MINISTER WAS NON-COMMITTAL.

4. THE INDIANS WERE PLEASED THE MEETING TOOK PLACE BUT DISAPPOINTED THAT IT TURNED OUT TO BE LESS OF AN EXTRAVAGANZA THAN WAS ORIGINALLY PLANNED. THE ABSENCE OF THE AMBASSADOR AND THE DCM PROMPTED M.G. KAUL AND M. SONDHI TO CANCEL LUNCHEON SPEECHES THUS REMOVING SOME OF THE LUSTER FROM THE PROCEEDINGS. THE AMERICANS, WHOSE MAIN THRUST WAS AN ATTEMPT TO IMPROVE CONDITIONS FOR EXISTING INVESTMENT ACTIVITY, WERE FRUSTRATED IN THEIR ATTEMPTS IN THE JBC TO DEAL WITH THESE PROBLEMS WITH THEIR OPPOSITE NUMBERS, BUT THIS FRUSTRATION WAS LARGELY OFFSET IN A MEETING WITH GOI OFFICIALS (SEE BELOW).

5. ALL INDIANS TO WHOM WE HAVE TALKED ARE PLEASED THAT THE MEETING TOOK PLACE AND THE GENERAL VIEW IS THAT IT WAS GOOD TO GET STARTED IN SPITE OF THE FACT THAT POLITICAL CONDITIONS WERE NOT CONFIDENTIAL

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UPBEAT. AS THE INDIANS DID NOT EXPECT CONCRETE RESULTS FROM THE MEETING, MOST DEEMED IT A SUCCESS. THE INDIAN BUSINESS REPRESENTATIVES WERE GENERALLY CHOSEN FROM THE ESTABLISHMENT AND HAD NO INTEREST IN STICKING OUT THEIR NECK FOR A MORE LIBERAL FOREIGN INVESTMENT POLICY IN VIEW OF THE AMBIVALENT GOI ATTITUDE.

6. THE US DELEGATION WAS LARGELY COMPOSED OF BUSINESSMEN WITH EXISTING OPERATIONS IN INDIA AND THEIR BANKERS, LAWYERS OR

ACCOUNTANTS. A MEETING WITH M.G. KAUL, BOSE MULICK AND FERNANDES WAS VERY SUCCESSFUL. IN FACT, IT WAS PROBABLY THE HIGHLIGHT OF THE SESSION FOR THE AMERICAN DELEGATION. THE US PARTICIPANTS WERE IMPRESSED WITH THE CALIBER OF THE PEOPLE WHO ATTENDED AND ANSWERED THEIR QUESTIONS FOR TWO HOURS. MOST CAME AWAY FROM THIS MEETING CONVINCED THAT THESE OFFICIALS WERE MAKING A GENUINE ATTEMPT TO BRING ABOUT BETTER CONDITIONS FOR FOREIGN INVESTORS AND WOULD DO SO IF POLITICAL CONDITIONS WOULD PERMIT. OTHERS WHO OPERATE IN INDIA SUCCESSFULLY, SUCH AS CARBORUNDUM, EXPRESSED A HO-HUM ATTITUDE TOWARD THE WHOLE AFFAIR.

7. WHILE WE WERE NOT INVOLVED IN THE SELECTION OF MEMBERS OF EITHER DELEGATION, WE NOTE THAT THERE WERE SOME PROBLEMS. WHILE THREE OR FOUR MAJOR BUSINESS HOUSES HAD TWO REPRESENTATIVES, OTHER WELL KNOWN INDIAN BUSINESSMEN WITH US CONNECTIONS WERE LEFT OUT AND UNDERSTANDABLY WERE DISAPPOINTED. ON THE US SIDE THE APPOINTMENT OF OBSERVERS FROM THE COMMUNITY OF AMERICAN AND THIRD COUNTRY CITIZENS REPRESENTING AMERICAN FIRMS IN INDIA DID NOT WORK PARTICULARLY WELL. IN FACT, IT CAUSED CONSIDERABLE CRITICISM BECAUSE INDIANS WITH AMERICAN CONNECTIONS THOUGHT RIGHTFULLY THAT THEY WERE MORE KNOWLEDGEABLE ABOUT THE PROBLEMS AND OUGHT TO HAVE BEEN INCLUDED AS ADVISORS. IN THE FUTURE WE WOULD RECOMMEND NO FORMAL ADVISORY MECHANISM AND WE THINK THAT THIS FUNCTION COULD BE CARRIED OUT THROUGH INFORMAL LIAISON.

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C O N F I D E N T I A L SECTION 2 OF 2 NEW DELHI 1907

8. THE ONE FINITE RESULT OF THE MEETING WAS THE FORMULATION OF A TASK FORCE TO REVIEW AND EXPLAIN IN THE US INDIAN FOREIGN INVESTMENT REGULATIONS AND TO EXPLORE AREAS OF COOPERATION. OUR UNDERSTANDING IS THAT THE IMMEDIATE TASK OF THIS GROUP IS TO MAKE SPECIFIC RECOMMENDATIONS ON THE FERA GUIDELINES. WE WOULD BE HOPEFUL THAT THESE WOULD BE FORTHCOMING IN TIME FOR DISCUSSION AT THE ECONOMIC/COMMERCIAL SUBCOMMISSION. IN THIS CONNECTION WE WERE TOLD BY FICCI AND SEVERAL INDIAN BUSINESSMEN THAT NEW FERA GUIDELINES WERE TO HAVE BEEN ANNOUNCED IN M.G. KAUL'S SPEECH BEFORE THE JOINT BUSINESS COUNCIL, BUT AS THIS DID NOT TAKE PLACE THE ANNOUNCEMENT HAS BEEN DELAYED.

9. WHERE DOES THIS LEAVE US? WE THINK THAT FREEMAN HAS DONE AN EXTREMELY EFFECTIVE JOB IN TELLING THE GOI AND INDIAN BUSINESS COMMUNITY THAT THE US BUSINESS COMMUNITY IS PREPARED TO WORK WITH INDIA IN A WIDE VARIETY OF FIELDS IF THE INDIANS ARE PREPARED TO DO SO. THIS IS A DECISION THAT HAS AS YET TO BE MADE. SINCE THIS IS EXACTLY THE MESSAGE THAT WE HAVE BEEN TRYING TO GET OVER TO THE GOI ON INTERGOVERNMENTAL POLITICAL AND ECONOMIC TIES, WE ARE VERY MUCH PLEASED TO FIND OURSELVES IN HARMONY. FREEMAN PLANS TO MEET WITH THE DEPARTMENT AFTER HIS RETURN TO WASHINGTON TO GIVE HIS  
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IMPRESSION OF THE MEETING. WE HOPE THAT DEPARTMENT WILL EXPRESS OUR GRATITUDE FOR HIS EXTREMELY EFFECTIVE LEADERSHIP HERE.  
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